

# The Long-Term Effect of Colonial State Capacity: Evidence from Central India

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## Abstract:

In Central India, the river Narmada separates two regions that have experienced a different type of government only during the colonial period, for reasons orthogonal to their initial economic development. I implement a spatial RDD on village population in the early Nineteenth Century, as well as on proxies of welfare in 2015. My findings show that a long-run effect exists where the ancient border used to be, but not in an adjoining area where the same river divided two shores with the same type of colonial institution. I discuss the following transmission mechanism. The southern region, which was administered with more modern fiscal and juridical tools, benefitted from synergies between the private and public sectors, culminating in the opening of the first trans-continental railway. Although the colonial administration directed public investment to meet British (not local) economic goals, this work provides an explanation as to how the growth in efficacy and organisation of an embryonal state can sustain that of the local markets it deems relevant.